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PERFORMANCE AUDIT
GENERAL SERVICES DIVISION

Department of Administration

This report contains recommendations for improvements in the division's operations. Major recommendations concern:

- Clarifying division jurisdiction over care of state buildings.
- Increasing use of contracted custodial services.
- Establishing procedures for scheduling and monitoring of maintenance work.
- Establishing controls over keys for capitol complex buildings.

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OFFICE OF THE LEGISLATIVE AUDITOR
PERFORMANCE AUDIT REPORT
DEPARTMENT OF ADMINISTRATION
GENERAL SERVICES DIVISION

June 1988

Report Number 87P-41

Members of the audit staff involved in this audit were: Jim Nelson, Audit Manager; Lisa Blanford, In-Charge Auditor; and Mike Wingard, Senior Auditor.



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Office of the Legislative Auditor

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June 1988

The Legislative Audit Committee
of the Montana State Legislature:

This is our performance audit of the Department of Administration, General Services Division. This report contains conclusions and recommendations concerning division procedures in relation to the care and maintenance of state property located in the state capitol complex. Department responses are contained at the end of the report.

We wish to express our appreciation to department officials and staff for their cooperation and assistance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat
Legislative Auditor

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OFFICE OF THE LEGISLATIVE AUDITOR

PERFORMANCE AUDIT OF THE DEPARTMENT OF ADMINISTRATION

GENERAL SERVICES DIVISION

Report Summary

A performance audit of the Department of Administration, General Services Division (GSD) was requested by the Legislative Audit Committee. The division is responsible for providing maintenance, repair, custodial, and security services in the capitol complex; and mail and messenger services for state agencies in the Helena area.

Our audit recommends improvements in the administration and provision of these services. The following sections summarize the results of our performance audit.

DIVISION ADMINISTRATION

We reviewed the adequacy of division management controls including goals, objectives, policies and procedures. We found goals and objectives to be adequate but improvements could be made in two specific areas.

Division Jurisdiction

The division's jurisdiction over maintenance, custodial care, repair and security of state-owned and leased buildings in the Helena area is vague. The statutes and rules use various wording to describe the jurisdictional authority granted GSD. The intent associated with duties of custodian are not fully defined although the law states the department is to supervise and direct the work of caring for and maintaining buildings and equipment. In addition, the geographical boundaries of government buildings in Helena have changed since the statutes were written.

Over the last several years the services normally provided by GSD have gradually been assumed by some agencies whose buildings are now located outside the state capitol area. These agencies are providing their own services without the involvement of the Department of Administration.

A central authority appears to be warranted if the department is to be custodian of all state property. We recommend the Department of Administration seek statutory clarification of the law designating the department as custodian of state property and seek clarification of the geographical limits of GSD's jurisdiction.

Division Reporting Relationships

There are two administrative officer positions assigned to GSD's security section to provide administrative support and security services for the Governor. These positions were assigned to GSD because of a correlation between security for the Governor and division responsibilities. These positions have not been security oriented and they report directly to the Governor's Office.

There is an inaccurate portrayal of organizational structure, FTE levels and budget for GSD and the Governor's Office. We recommend the Department of Administration eliminate the two administrative officer positions from future budgets.

CUSTODIAL SERVICES

We evaluated custodial services provided and administered by the division. The evaluation included analyzing costs, examining quality of services, and reviewing GSD monitoring of custodial services.

Analysis of Custodial Efficiency

GSD utilizes both in-house and contracted custodial staff to provide services to the capitol complex. Cost analyses conducted by the Department of Administration and our office indicate it is cost beneficial to contract custodial services in the buildings currently cleaned by in-house staff. Our analysis showed an estimated annual savings of \$160,671 is possible. It costs GSD an average of 53.9 percent more to utilize in-house staff.

We also reviewed quality and flexibility of services. Audit work indicates custodial contractors were providing a better quality of services overall. In addition, flexibility of services could be maintained by incorporating provisions into contract specifications.

When considering all factors, contracting custodial services is more cost effective and will maintain quality of services. We recommend the Department of Administration procure contracted custodial services for those buildings currently cleaned by in-house custodial staff.

Monitoring of Custodial Services

Custodial quality was evaluated by observing GSD inspections, by conducting independent inspections based upon inspection methods used by the division, and by examining related inspection data. Custodial service quality has not met division standards or the expectations of building tenants.

We found the division's monitoring of the quality of custodial services could be improved. Improvements could be made in division enforcement of cleaning specifications and use of contract penalty clauses. Specific concerns were also noted with custodial inspection methodology, frequency, and documentation.

We recommend the division take specific steps to improve quality of custodial services through increased monitoring of services and enforcement of cleaning specifications. Specific measures could include:

- regular inspections of all buildings on a monthly basis;
- increased inspections which include review of all cleaning requirements and not just annual requirements;
- requiring written contractor response to formal inspection findings; and,
- utilizing contract penalty clauses when appropriate.

MAINTENANCE SERVICES

We analyzed the planning, implementation, and monitoring of maintenance and repair services provided and administered by the division. Our audit work indicated improvements could be made to the division's maintenance operations.

Work Scheduling

Division officials have not developed or implemented formal planning and scheduling methods for maintenance work. Management has relied on informal methods of planning and scheduling work assignments.

Formal planning and scheduling would allow the division to set priorities for projects, ensure staff are used in the most efficient manner, and distribute workload equally. Documented long range plans would allow continuity of work should management changes occur. We recommend the division develop formal work plans/procedures for scheduling maintenance work.

Maintenance Work Monitoring

Timely completion of maintenance work does not always occur, and the methods and management information used by division officials to monitor work completion could be improved.

Although the division uses some procedures for monitoring maintenance projects, many aspects could be better managed. Additional procedures to assist with monitoring include: gathering work order completion dates; including all incomplete work orders on management reports; maintaining records regarding length of time to complete remodeling projects; and requiring more detailed personnel time records. We recommend the division establish maintenance monitoring procedures which assure timeliness of work completion and provision of efficient and effective services.

Remodeling Project Costs

GSD provides remodeling services to agencies upon request. We compared project estimates for agency remodeling services with subsequent agency billing. Our purpose was to determine: accuracy of records; GSD cost recovery methodology; and adequacy of documentation. We noted GSD procedures for providing agency requested services could be improved.

We recommend the division implement procedures necessary to more closely capture actual expenses incurred on remodeling projects; use actual expense data to analyze the estimation methodology used to project remodeling costs; and develop methods to ensure accuracy of rates used for remodeling project estimates and agency billings.

Inventory Controls

Inventory usage records and physical controls for maintenance inventory could be improved. The division does not maintain detailed records of inventory usage. In addition, controls used to conduct physical inventories are weak. Reconciliation and spot checking of inventory counts is not done to ensure counts are correct.

We recommend the division improve inventory procedures and records over maintenance materials and supplies.

SECURITY SERVICES

Our performance audit assessed the adequacy and efficiency of security services. To accomplish our assessment, we accompanied security guards, reviewed documentation, and contacted security experts. Our audit indicated areas of security services could be improved.

Security Patrol Routes and Schedules

Improvements should be made to security patrol routes and schedules used by GSD security staff in order to enhance existing coverage. GSD's current security patrol route and schedule creates inherent weaknesses in overall security. Security guards are at the same locations at the same time each day and the route allows potential for individuals to determine exact locations of guards and therefore circumvent the intended purpose of the patrol.

We recommend the division establish varying security patrol routes and schedules.

Key Controls

GSD maintains all doors, locks, and hardware on the capitol complex and assists agencies in the distribution of keys. In reviewing current key controls we found improvements could be made in three areas:

- records of key assignments at GSD;
- records of key assignments at agencies; and
- overall key control guidelines.

We recommend the division implement a method for accurately recording assignment of keys to staff and contractors. In addition, we recommend the Department of Administration develop and issue policies and guidelines to ensure effective key controls exist in capitol complex agencies.

Door and Lock Maintenance Schedules

During our review of capitol complex security we examined records which indicated a substantial number of exterior doors are found open or ajar each night. Discussions with division personnel indicate part of the problem is due to improperly functioning doors and locks.

The division inspects doors on an irregular basis and they rely primarily on security patrols to locate problems with doors and notify maintenance staff of them. We noted guards have a minimal amount of time available while on patrol and are not able to perform detailed inspections. In addition to irregular inspections, door maintenance problems are compounded by the lack of a formal door and lock maintenance schedule.

Based on security records, our observations of doors and locks, and discussions with GSD personnel, it is apparent regular monitoring of exterior doors and locks is necessary. We recommend the division establish an exterior door and lock maintenance schedule.

CHAPTER I

INTRODUCTION

A performance audit of the Department of Administration, General Services Division (GSD), was requested by the Legislative Audit Committee. The division is responsible for maintenance, repair, and cleaning of capitol complex buildings. The division also handles capitol complex security and mail and messenger services for state agencies in the Helena area.

The objectives of our performance audit were to:

1. Review and evaluate division procedures, structure, and statutory authority.
2. Evaluate in-house and contracted custodial services administered by the division.
3. Review and evaluate maintenance and repair services which are under the control of the division.
4. Examine security services provided by the division to determine operational efficiency and adequacy of physical security.

SCOPE OF AUDIT

The audit was conducted in accordance with generally accepted governmental performance auditing standards. It did not include a review of the financial status of the department. Extensive performance audit work was not conducted of the division's mail and distribution services or administration of state agency rental rates for capitol complex buildings as major issues were not identified in these areas.

As part of our performance audit work we reviewed administrative procedures used by the General Services Division. We also examined the organizational structure and statutory authority of the division.

Our audit work assessed custodial services provided and administered by the division including a cost analysis of in-house and contracted services. In addition, we reviewed quality of services provided, adequacy of custodial contract enforcement, and monitoring of in-house and contracted custodial services.

We reviewed and evaluated the planning, implementation, and monitoring of maintenance and repair services which are under division control. This included an examination of work orders, billing rates, maintenance and staffing schedules, management information, and inventory controls.

The audit also assessed the effectiveness and efficiency of capitol complex security services. We accompanied security guards, reviewed documentation, and consulted with security experts and agency personnel.

We utilized guidelines developed by the Association of Physical Plant Administrators of Universities and Colleges (APPA) in reviewing custodial, maintenance, and security services provided by the division. Because of the general nature of many of the APPA standards, they can be applied to a capitol complex as well as to university complexes.

COMPLIANCE

We reviewed compliance with laws and administrative rules relating to the administration of the General Services Division. For the areas tested we found no significant instances of noncompliance during our examination. For items we did not specifically test for compliance, nothing came to our attention that would indicate significant instances of noncompliance.

MANAGEMENT MEMORANDUMS

During the audit we asked Department of Administration and General Services Division officials for written responses to potential report issues and recommendations. In addition, a management memorandum was issued suggesting more timely performance appraisals of division staff.

CHAPTER II

BACKGROUND

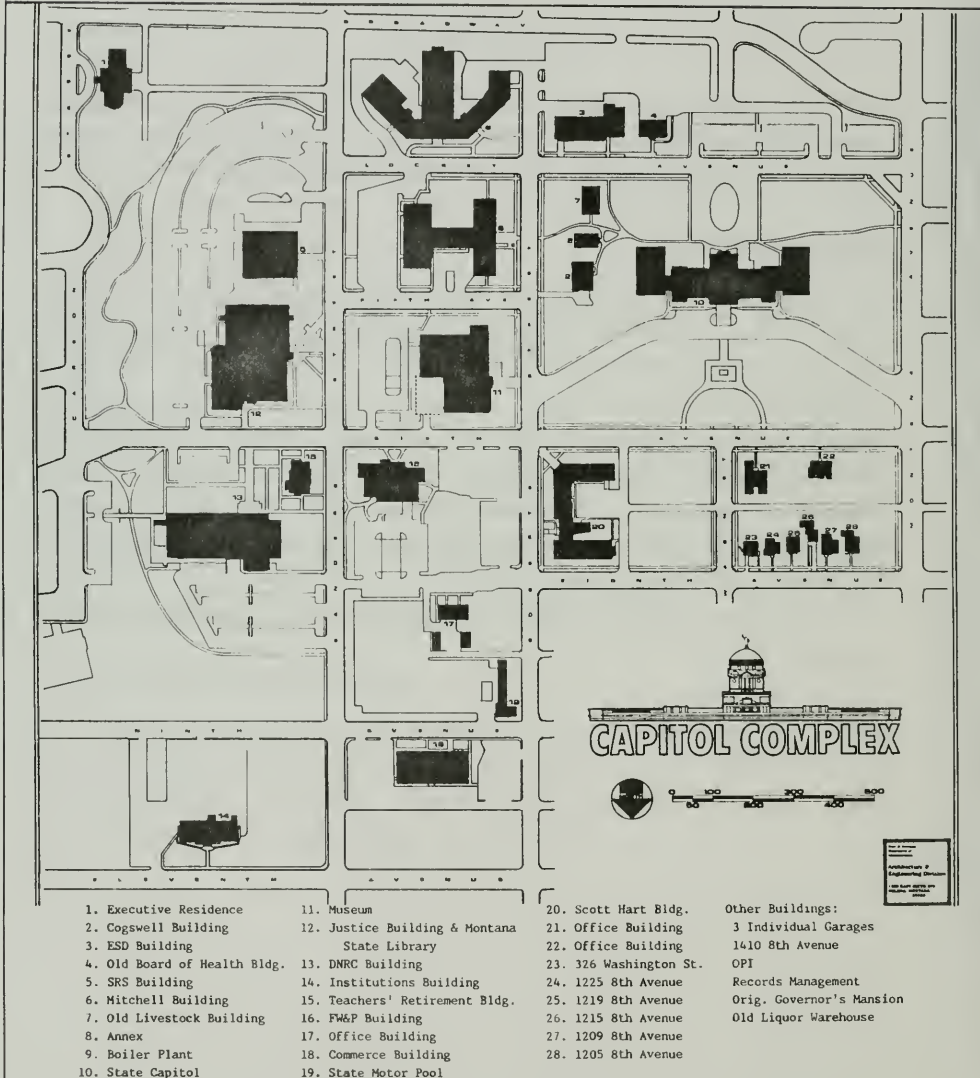
This chapter provides an overview of the Department of Administration's General Services Division. It outlines the history and responsibilities of the division and provides details on division expenditures and revenues.

DIVISION HISTORY

The duties and powers of the Office of the Capitol Custodian were transferred to the Department of Administration in 1963, at which time the General Services Division (GSD) was created. The General Services Division is responsible for providing repair, maintenance, security, custodial, and centralized mail and messenger services in the capitol complex. The division also manages contracts providing additional services for the complex, including mechanical maintenance, pest control, elevator repair, and garbage collection. These responsibilities cover 36 buildings with a total of 1,173,198 square feet located primarily in the capitol complex.

The following map illustrates the locations of the various buildings GSD maintains.

MONTANA STATE CAPITOL COMPLEX



Source: Architecture and Engineering Division

Illustration 1

The division has an administrative staff of three FTE which include an administrator, an assistant administrator, and an architect. The division is organized into four bureaus. Total authorized division staff is 57.25 FTE for fiscal year 1987-88.

The Fiscal Bureau is responsible for administrative functions of the division. Staff include a bureau chief, accountant, and secretary. The Facilities Maintenance Bureau is responsible for maintenance and repair of the capitol complex. Staff include a bureau chief and 12 maintenance staff. The Facilities Services Bureau is responsible for all custodial and security services provided to the capitol complex. The bureau's staffing consists of a bureau chief, 15 in-house custodians, 10 security guards, and two administrative officers assigned to the Governor. The Facilities Maintenance and Facilities Services Bureaus are responsible for supervising both in-house (state employees) and contracted services.

The Mail and Distribution Bureau has a staff of 9.25 FTE to perform designated functions which include: collection, sorting, and delivery of mail; provision of messenger services; and the execution of a contract with the U.S. Postal Service which requires the division to maintain and operate a postal substation in the Capitol.

DIVISION REVENUE AND EXPENDITURES

General Services Division expenditures and funding sources for fiscal years 1985-86 and 1986-87 and appropriations for the 1987-89 biennium are as follows:

GSD EXPENDITURES, APPROPRIATIONS AND FUNDING SOURCES* - UNAUDITED
Fiscal Years 1985-86 through 1988-89

<u>Expenditure Category</u>	<u>Actual</u>		<u>Appropriated</u>	
	<u>1985-86</u>	<u>1986-87</u>	<u>1987-88</u>	<u>1988-89</u>
Personal Services	\$ 1,033,174	\$ 1,042,068	\$ 1,047,613	\$ 1,049,312
Operating Expenses	2,183,683	2,298,545	2,418,837	2,540,760
Equipment	899	4,376	5,150	0
Transfers	<u>148,390</u>	<u>145,058</u>	<u>58,801</u>	<u>58,801</u>
Total	\$ 3,366,146	\$ 3,490,047	\$ 3,530,401	\$ 3,648,873
 <u>Funding Sources</u>				
General Fund	\$ 434,683	\$ 470,239	\$ 408,324	\$ 420,996
Capitol Project Fund	20,609	38,130	58,801	58,801
Proprietary Fund	<u>2,910,854</u>	<u>2,981,678</u>	<u>3,063,276</u>	<u>3,169,076</u>
Total	\$ 3,366,146	\$ 3,490,047	\$ 3,530,401	\$ 3,648,873

*does not include Mail and Distribution Bureau

Source: Compiled by the Office of the Legislative Auditor from SBAS and Montana Appropriations Report

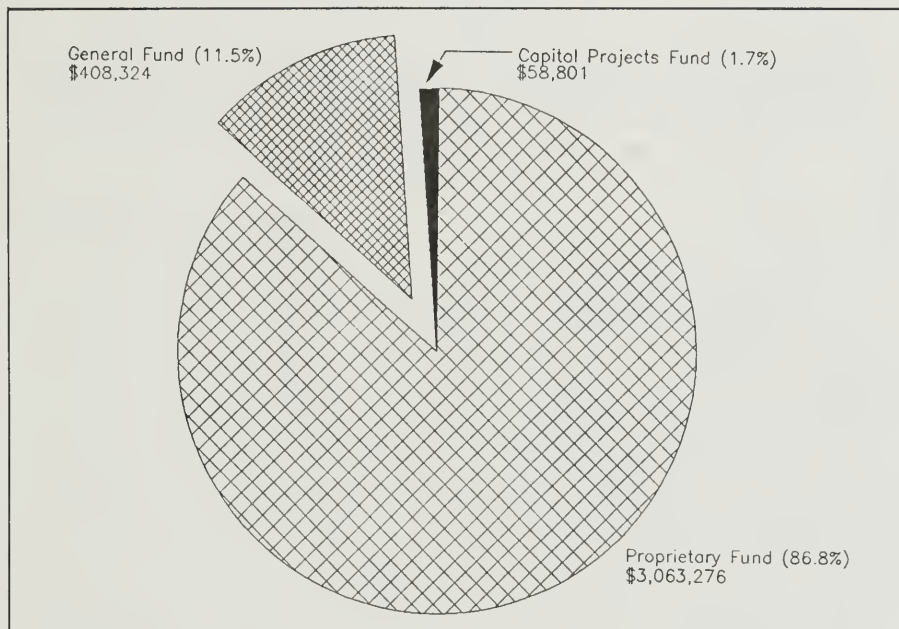
Illustration 2

The division is funded from three sources: the Capital Projects Fund, a proprietary fund, and the General Fund. Capitol Projects Fund moneys (capitol land grant) are used for large repairs to buildings in the capitol complex. The proprietary fund consists of the square footage rental rate charged agencies and the revenue generated from direct reimbursement for special projects for state agencies. The General Fund supports the services provided by the division for common area space in the complex. Common area includes a portion of the Museum and Capitol, the Governor's Executive Residence, and the Original Governor's Mansion.

Illustration 3 shows the approximate percentage for each source of funding for GSD.

GSD FUNDING SOURCES

Fiscal Year 1988-89



Source: Compiled by the Office of the Legislative Auditor from GSD Records

Illustration 3

As noted in Illustration 3, the proprietary fund makes up the largest portion of the division's budget. Each agency occupying space in the capitol complex is assessed an annual rental charge based upon square footage occupied. In exchange, GSD provides various state agencies with office space in state-owned buildings and supplies the necessary services required to maintain these areas. The standard square foot rental rates in fiscal year 1987-88 are \$2.97 for office space and \$2.22 for warehouse space. Grounds maintenance charges are no longer included in GSD rental rates. Grounds maintenance responsibilities were transferred to the Department of Fish, Wildlife and Parks in 1985 and agencies are billed separately for these services.

CHAPTER III

DIVISION ADMINISTRATION

We examined the adequacy of division management controls including goals, objectives, policies and procedures. The division's goals and objectives appeared adequate. This chapter discusses two specific issues identified during our review and includes recommendations to improve division operations.

DIVISION JURISDICTION

The division's jurisdiction over maintenance, custodial care, repair, and security of state-owned and leased buildings in the Helena area is vague. The statutes and administrative rules use various wording to describe the jurisdictional authority granted GSD. In 1963, the Department of Administration was given the responsibility of custodian of all state property in the state capitol area (section 2-17-111, MCA). The intent associated with duties of custodian are not fully defined although the law states the department is to supervise and direct the work of caring for and maintaining the buildings and equipment. In addition, the geographical boundaries of government buildings in Helena have changed and "capitol area" may no longer be appropriate. The department's administrative rules contain references to the division's responsibility for the capitol complex and Helena area.

The following chart illustrates the different locations of a sample of Helena area agencies and the services they do or do not receive from GSD.

SAMPLE OF SERVICES PROVIDED BY GSD

<u>Sample Agency</u>	<u>Maintenance and Repair</u>	<u>Custodial</u>	<u>Security</u>	<u>Central Mail Meter/Messenger</u>	
<u>On Complex</u>					
DOLI, Human Rights	X	X	X		X
DNRC	X	X	X	X	X
State Auditor	X	X	X		X
Dept. Institutions	X	X	X	X	X
FW&P, Main Office	X	X	X		X
<u>Off Complex</u>					
Dept. State Lands				X	X
OPI, 1300 11th Avenue	X	X	X	X	X
FW&P, Warehouse					X
Dept. Highways					X
Dept. Military Affairs					X
Workers' Compensation					X
Old Liquor Warehouse	X	X	X	X	X
Original Governor's Mansion	X	X	X		
Records Management Division	X	X	X	X	X
Liquor Warehouse					
Board of Investments				X	X
DOA, Property & Supply Bureau				X	X
X = service provided by GSD					

Source: Compiled by the Office of the Legislative Auditor

Illustration 4

Over the last several years the services normally provided by GSD have gradually been assumed by some agencies whose buildings are now located outside the state capitol area. These agencies are providing their own services without the involvement of the Department of Administration. For example, the Workers' Compensation Division contracts for security services from a private vendor. In addition, the Department of Military Affairs, Department of Highways, and Workers' Compensation Division each have their own maintenance staff rather than using GSD services. These departments are also responsible for obtaining their own custodial services. The exact jurisdiction of the GSD needs to be clarified.

According to section 2-17-111, MCA, the Department of Administration is the custodian of all state property in the state capitol area. Without the specific reference to the state capitol area, the statute seems to indicate the division should, at a minimum, have approval authority over custodial,

maintenance, and security work done for other departments' state property. How far this authority should extend is not clear. At the present time, the Department of Administration is not formally analyzing the efficiency of agencies providing their own services versus use of GSD services. A central authority appears to be warranted if the department is to be custodian of all state property.

Department officials state GSD services are available to all agencies occupying state buildings in the Helena area; however, the department has established the use of these services to be discretionary. Officials state GSD's jurisdiction is determined by other agencies. Department officials believe division services other than mail and messenger and lease approval are inappropriate for agencies occupying privately leased space.

The department should seek statutory clarification of the law designating the department as custodian of all state property in the state capitol area. This would include specifying the extent of the department's authority over custodial, maintenance, and security work done for other departments' state property. The department should also seek statutory clarification of the geographical limits of GSD's jurisdiction.

RECOMMENDATION #1

WE RECOMMEND THE DEPARTMENT:

- A. SEEK STATUTORY CLARIFICATION OF THE LAW DESIGNATING THE DEPARTMENT AS CUSTODIAN OF STATE PROPERTY; AND
- B. SEEK STATUTORY CLARIFICATION OF THE GEOGRAPHICAL LIMITS OF GSD'S JURISDICTION.

DIVISION REPORTING RELATIONSHIPS

During our audit we examined the organizational structure and internal reporting relationships of the division to determine reasonableness. Our review indicated there are two administrative officer positions assigned to GSD's security section which were first authorized by the 1981 session of the Legislature to provide administrative support and security services for the Governor. These positions are funded through the General Fund.

Examination of position descriptions, information contained in employee position classification files, and discussions with personnel in the Governor's Office and GSD indicate the positions report directly to the Governor's Office. GSD is not involved in the duty assignment or supervision of the two administrative officers and the division does not conduct performance appraisals of these staff. Although these two positions are funded through GSD, staff members work with and report directly to the Governor's Office. These positions were assigned to GSD because of a correlation between security for the Governor and division responsibilities. However, these positions have not been security oriented.

At present, there is an inaccurate portrayal of organizational structure, FTE levels, and budget for GSD and the Governor's Office. In order to provide accurate organizational structure and funding, these administrative officer positions should be eliminated from the department's future budgets.

RECOMMENDATION #2

WE RECOMMEND THE DEPARTMENT OF ADMINISTRATION ELIMINATE THE TWO ADMINISTRATIVE OFFICER POSITIONS FROM FUTURE BUDGETS.

CHAPTER IV

CUSTODIAL SERVICES

We evaluated custodial services provided and administered by the division. The evaluation included analyzing costs, examining quality of services, and reviewing GSD monitoring of in-house and contracted custodial services. We also examined current custodial contract requirements for adequacy.

This chapter provides information regarding custodial services, discusses our audit work, and includes recommendations to improve the division's custodial operations.

CUSTODIAL SERVICE BACKGROUND

GSD is responsible for provision of custodial services to the capitol complex. To accomplish this responsibility the division utilizes both in-house and contracted custodial staff. The division began using in-house custodial services during fiscal year 1978-79 as a means of improving quality of services. Prior to that time, all custodial services were contracted.

In-House Services

The use of in-house staff was initiated in the Capitol and Veteran's Memorial (museum) buildings and expanded in fiscal year 1979-80 to include the Employment Security Division and Mitchell buildings. In-house custodial staff clean 411,453 square feet, or 43.4 percent of the capitol complex. There is a total staff of 16 FTE which includes a custodial bureau chief who also oversees security services. Two custodians are assigned to the day shift with the remainder working evening shifts. Staff are responsible for all aspects of cleaning of a specific area.

Contracted Services

Contracted custodial services are used to clean 24 buildings located on or near the capitol complex. There are currently five custodial contracting firms providing these services for 536,678 square feet, or 56.6 percent of the complex. The contractors utilize a staff who work a variety of schedules to accomplish the cleaning requirements.

Custodial contracts are for one year terms, but can be extended two additional years with approval of both parties. The contracts require custodial contractors to furnish labor, equipment, supplies, and materials as necessary to perform custodial services for GSD. Specific cleaning requirements are detailed in the custodial contracts.

ANALYSIS OF CUSTODIAL EFFICIENCY

We evaluated contracted and in-house custodial services. The evaluation included a comparison of costs and quality of services provided. Our audit work concluded it is beneficial to use contracted custodial services from both a cost and quality of service basis.

The next two major sections discuss cost analyses conducted by the Department of Administration and our office.

Department of Administration Cost Analysis

A cost analysis of potential areas of General Fund reduction was conducted by the Department of Administration in 1986. The analysis identified elimination of in-house custodial services as a possible means of reducing the department's budget. The analysis indicated a total annual savings of \$100,200 was possible by using contractors in buildings currently cleaned by in-house staff.

OLA Cost Analysis

We conducted an analysis of in-house and contracted custodial costs to determine potential for savings and feasibility of using contractors in buildings currently cleaned by in-house staff.

In-House Custodial Cost

In-house custodial staff currently clean five buildings or 43.4 percent of the capitol complex. In-house custodial services cost an average of \$0.7257 per square foot in fiscal year 1987-88.

IN-HOUSE CUSTODIAL COSTS
Fiscal Years 1986-87 and 1987-88

<u>Expenditure Category</u>	<u>Actual FY 1986-87</u>	<u>Appropriated FY 1987-88</u>
Personnel Services	\$ 270,760	\$ 271,040
Supplies	26,325	20,202
Other Expenses *	<u>8,980</u>	<u>7,349</u>
Total In House Cost	\$ 306,065	\$ 298,591
Square Footage Cleaned	411,453	411,453
Average Cost Per Square Foot	\$ 0.7439	\$ 0.7257

*includes repairs, equipment, and miscellaneous expenses.

Source: Compiled by the Office of the Legislative Auditor from
GSD records

Illustration 5

Contracted Custodial Cost

Contracted custodial services clean 24 buildings accounting for 56.6 percent of the capitol complex. Contracted services are procured on a contract year basis. Twenty buildings follow a contract year schedule of April 1 to March 31 and four buildings a July 1 to June 30 schedule. Costs incurred for use of contracted custodial services are as follows.

CONTRACTED CUSTODIAL COSTS
Contract Years 1986-87 and 1987-88

	<u>Contract Year 1986-87</u>	<u>Contract Year 1987-88</u>
Total Contract Cost	\$ 230,641	\$ 179,612
Square Footage Cleaned*	532,259	536,678
Average Cost Per Square Foot	\$ 0.4333	\$ 0.3346

*additional square footage cleaned at Old Liquor Warehouse in 1987-88.

Source: Compiled by Office of the Legislative Auditor from GSD records

Illustration 6

During contract year 1987-88, GSD will spend an average of \$ 0.3346 per square foot for custodial contractors. The decrease in costs from contract year 1986-87 to 1987-88 is due in part to a decrease in the standard prevailing rate of wages public works contractors pay their employees.

Potential for Savings

Analysis of custodial costs indicates contracted custodial services are less expensive than services provided by in-house staff. Contracted custodial services are currently \$ 0.3911, or 53.9 percent less per square foot than services provided by in-house staff. At the current contracted rate of \$0.3346 per square foot, it would cost \$317,244 (\$0.3346 X 948,131 square feet) for contracted custodial services for all GSD capitol complex buildings. The following illustration shows an estimated annual savings of \$160,671 is possible by utilizing contracted custodial services for all GSD buildings in the capitol complex.

POTENTIAL SAVINGS BY UTILIZING CUSTODIAL CONTRACTORS

<u>Associated Costs</u>	<u>Current 1987-88</u>	<u>Proposed</u>
In-house	\$ 298,591	\$ 0
Contracted	179,612	317,244
GSD Supervisory	25,200	25,200
GSD Overhead	<u>1,383</u>	<u>1,671</u>
Total	\$ 504,786	\$ 344,115
Total Annual Savings		\$ 160,671

Source: Compiled by the Office of the Legislative Auditor from GSD records

Illustration 7

Our analysis assumes the division would maintain one FTE to supervise and monitor the provision of custodial services for contractor compliance with contract specifications. The duties of this bureau chief position are currently divided between monitoring in-house services and contracted services. Division overhead expenses would increase slightly due to additional work associated with five added custodial contracts.

The results of our analysis differ from those of the Department of Administration's as noted on page 13. Our contracted custodial costs were calculated using contract year 1987-88 costs while the department used contract year 1986-87 contract costs. Costs of custodial contracts decreased 22.8 percent during this period. In addition, the department calculated in-house personnel services at a lesser amount and did not include expenses for equipment, repairs, and miscellaneous items.

Additional Factors

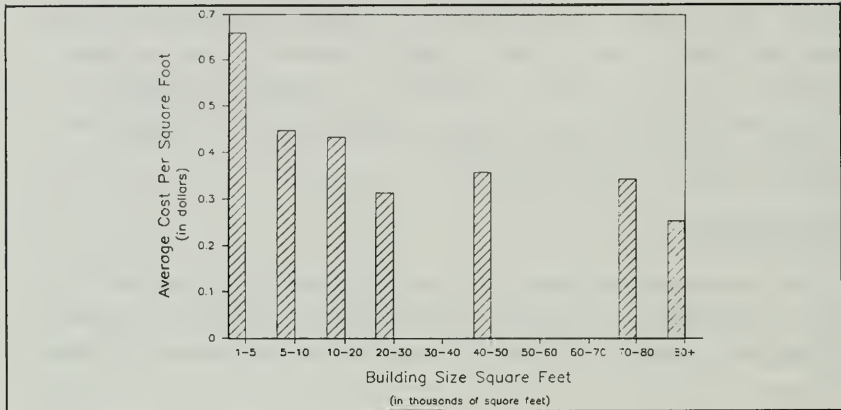
Cost on a square foot basis is not the only factor to be considered in making a determination to contract for custodial services. Other factors need to be analyzed. As part of our audit work of custodial services we examined these factors.

Cleaning Expense for Larger Buildings

One factor is the size of buildings being cleaned. We examined contracted custodial service costs for a range of building sizes. Our analysis indicates contracted custodial services costs will vary depending on the building size. Services cost less per square foot on larger size buildings and costs are highest on buildings under 5,000 square feet. The following illustration shows how cost per square foot decreases as building size increases.

AVERAGE CLEANING COST PER PARTICULAR BUILDING SIZE

Contract Year 1987-88



Source: Compiled by the Office of the Legislative Auditor from GSD records

Illustration 8

In-house custodial staff currently clean the two largest buildings on the complex: the Capitol (163,432 square feet) and the Mitchell building (128,975 square feet). The Veteran's Memorial and Employment Security Division buildings are both over 49,000 square feet and are also cleaned by in-house staff. Since buildings presently cleaned by in-house staff are large, the savings from contracting may be even higher than shown by our calculations in Illustration 7.

Quality of Services

Another factor to be considered is quality of services. We conducted an examination of service quality provided by both in-house staff and contractors. The examination included reviewing GSD inspection documentation, conducting our own inspections using GSD inspection procedures, examining quality of services, and reviewing tenant complaints. Audit work indicates custodial contractors were providing a better quality of services overall. Specifics are noted on pages 22 through 25.

Flexibility of Services

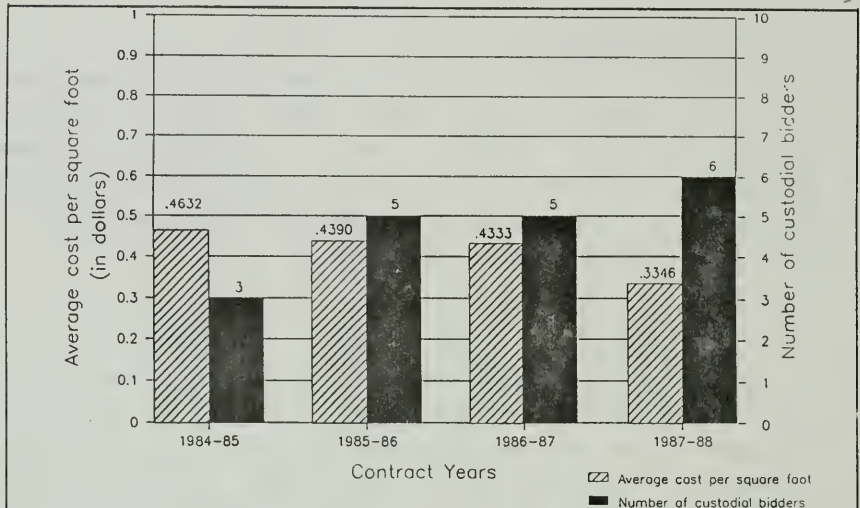
Flexibility of services is an important component of custodial service; for example, additional services during legislative sessions. We believe provisions allowing for flexibility could be incorporated into contract specifications. In fact, current custodial contracts contain provisions requiring one hour response time to notification for services, maintenance of a radio paging system, and round-the-clock availability.

Price Stabilizer

Department officials believe use of in-house custodial services acts as a price stabilizer, keeping contracted custodial costs low, as contractors are concerned the state will assume all custodial services. However, contracted custodial costs have steadily declined over the past four years. Contractors indicate this decrease is the result of competition between contractors and a decrease in the standard prevailing rate of wages contractors must pay.

The following illustration depicts the average cost per square foot for custodial contracts and the number of contractors bidding for the last four contract years. This data is based upon total contract costs and does not include GSD supervisory and overhead expenses which add approximately \$0.0261 per square foot.

CONTRACTED CUSTODIAL COST AND BIDDING HISTORY



*Does not include GSD supervisory and overhead costs.

Source: Compiled by the Office of the Legislative Auditor from GSD records

Illustration 9

As the illustration shows, the costs of custodial contracts have steadily declined while the number of contractors bidding has increased. It should also be noted that eight custodial contractors recently submitted bids on contracts for contract year 1988-89.

Prevailing Wage

The standard prevailing rate of wages public works contractors pay their employees recently declined \$2.19 per hour to a rate of \$5.33. These costs include benefits.

A recent Attorney General opinion stated that effective February 1988, the prevailing wage will not be required for public works contracts of less than \$25,000; therefore, payment of minimum wage is allowed. Of the 24 buildings currently cleaned by contractors, the contracts for all but one building are less than \$25,000. Thus, potential for further reducing costs of contracts exists if less than the prevailing wage is used in the contract bids.

Conclusion

Analysis of in-house and contracted custodial costs indicate it is cost beneficial to contract custodial services in the buildings cleaned by in-house staff. An estimated annual savings of \$160,671 is possible by using contracted custodial services in these buildings. It costs GSD an average of 53.9 percent more to utilize in-house custodial staff. Since buildings presently cleaned by in-house staff are large, the savings from contracting may be even higher than shown by our calculations. In addition, the recent Attorney General's opinion regarding payment of minimum wages rather than prevailing wages for contracts under \$25,000, may further reduce contracted custodial costs.

We also reviewed quality and flexibility of services and the price stabilization affect of in-house custodial services. When considering all factors, contracting custodial services is more cost effective and will maintain quality of services.

RECOMMENDATION #3

WE RECOMMEND THE DEPARTMENT PROCURE CONTRACTED CUSTODIAL SERVICES FOR THOSE BUILDINGS CURRENTLY CLEANED BY IN-HOUSE CUSTODIAL STAFF.

MONITORING OF CUSTODIAL SERVICES

We evaluated custodial quality by observing GSD inspections, conducting our own independent inspections based upon inspection methods used by the division, and examining related inspection data. We found improvements could be made in quality of custodial services and the division's monitoring and enforcement of the provision of these services.

Cleaning Requirements

GSD conducts inspections of custodial services based on contract requirements and standards developed by the division. Contractors and in-house custodial services are required to adhere to cleaning requirements which include:

Daily:	sweep, vacuum, damp mop floors, sanitize restrooms, empty and wipe trashcans and ashtrays, clean entryways, display glass, mirrors, and water fountains.
Weekly:	polish and buff floors, wash restroom partitions, shower walls.
Monthly:	scrub trashcans and ashtrays, vacuum furniture, clean floor drains and restroom walls.
Semiannual:	shampoo carpets, strip and wax floors, wash all glass, high dust.
Annual:	damp wipe venetian blinds, clean light fixtures, and walls and partitions.

GSD Inspections

GSD utilizes an inspection process to monitor the quality of custodial services and adherence to division established standards. We reviewed division inspection reports compiled during the past two years to determine inspection activity, findings, and action taken to correct deficiencies. Our review revealed improvements could be made to the division inspection process used to monitor in-house and contracted custodial services. We found buildings are not regularly inspected, limited inspections of in-house services are conducted, minimal amount of the total cleaning requirements are examined, and documentation regarding inspection findings is inadequate.

Inspection Methodology and Frequency

The majority of capitol complex buildings receive a limited number of formal inspections of custodial services. Fifty two percent of the buildings were inspected no more than two times in 1987. Sixty eight percent were inspected no more than two times in 1986. The maximum number of inspections in any building was five in 1987 and four during 1986.

Our review also indicated the majority of inspections conducted are of contracted custodial services. Formal inspections of in-house custodial services are not occurring. Division officials conducted only one formal inspection of in-house custodial services during the past two years.

The division inspects a minimal amount of the total custodial cleaning requirements. As shown in the following illustration, 70 percent of division inspections of custodial services concentrate on semiannual and annual cleaning requirements.

CUSTODIAL INSPECTIONS
November 1985 - November 1987

<u>Type of Inspection</u>	<u>Occurrences</u>
Annual	37 (28%)
Semiannual	56 (42%)
Daily/weekly	14 (10%)
Complaints	26 (19%)
New Contractor	<u>1</u> (1%)
Total	134 (100%)

Source: Compiled by the Office of the Legislative Auditor
from GSD records

Illustration 10

The total number of inspections listed in the illustration is overstated because of the way the division accounts for inspections. Many of the semi-annual and annual inspections reflect multiple trips to a building as various cleaning requirements were completed; (i.e., carpet shampooing, window cleaning;) and also reflect follow-up inspections to an original examination conducted by the division.

A limited number (10 percent) of daily/weekly inspections were conducted during the past two years. Consequently, minimal inspection of daily and weekly cleaning requirements is done, yet the bulk of custodial work required in the contract pertains to these requirements. Work orders are issued to custodians to correct complaints. Eighty-seven percent of the custodial work orders issued during the past year pertained to daily and weekly cleaning requirements. In addition, the majority of agency complaints regard these same requirements. Of the work orders pertaining to daily and weekly cleaning requirements, 75 percent originated from building tenants.

Division officials agree inspections are infrequent. Division officials indicate a previously vacant staff position resulted in concentration on the monitoring of semiannual and annual cleaning requirements and relying on building tenant complaints. The division recently filled the custodial bureau chief position.

The Association of Physical Plant Administrators of Universities and Colleges (APPA) recommends inspections of all buildings on a monthly basis to ensure services consistently meet standards. Formal inspections are one way to ensure quality of custodial services.

Inspection Documentation

During our review of division custodial inspection methodology, we examined records pertaining to prior inspections.

Formal inspections of in-house services are not conducted by the division and, therefore, not documented. In addition, GSD inspection results of contracted custodial services are inadequately documented. It is difficult to determine what cleaning inadequacies were found. In addition, it is unclear what action is taken by an inspector to get contractors to comply with standards. It is also unclear what follow up action is done by an inspector and/or a contractor to ensure deficiencies are corrected. Further, we did not find written contractor responses addressing inspection findings as required in the existing custodial contracts.

Documentation helps ensure problems are relayed to the appropriate persons and corrective action is taken, thus improving custodial services. It is also a tool for evaluating and monitoring custodial performance and compliance with cleaning standards and contract specifications.

OLA Inspections

We evaluated the adequacy of cleaning provided to capitol complex buildings. We inspected six buildings over a nine-day period. The buildings inspected were the Capitol, Mitchell, and Employment Security Division, which are cleaned by in-house staff; and the Scott Hart, Justice, and Cogswell buildings, which are cleaned by contracted staff.

All cleaning requirements were reviewed with an emphasis placed on daily and weekly cleaning requirements as these are the major contract requirements. GSD custodial contract specifications were used as the standard of adequacy for both contracted and in-house cleaning services. We accompanied division officials to identify inspection procedures used. We then conducted physical inspections using the division's procedures and our results were

compared to contract specifications. Follow-up inspections were done to determine if identified cleaning inadequacies were corrected.

Problems with cleaning adequacy were noted in all buildings. Inspections revealed lower quality of service in buildings cleaned by in-house staff. Repeat problems included: inadequately cleaned restroom facilities, poor vacuuming of hallways and stairwells, dirty water fountains, unemptied trash-cans and ashtrays, and dirty window and mirror glass. In addition, over 57 percent of the inadequacies identified in the Capitol and Mitchell buildings during follow-up inspections were not cleaned two weeks after the inadequacies were originally identified.

Buildings cleaned by custodial contractors were of higher quality although cleaning services in some of these buildings could be improved. Repeat problems noted were dirty mirrors, dust build up, and soiled tile floors. These buildings also fared better in inspection follow up. Twenty percent of inadequacies identified at the Cogswell and Scott Hart buildings were not cleaned within two weeks, and 37 percent of the inadequacies at the Justice building were not cleaned during this time period. Department records also show problems with quality of custodial services.

Contract Penalty Clauses

GSD does not fully utilize available custodial contract penalty clauses when concerns with quality of contracted services are evident. Custodial contracts contain three standard contract penalty clauses. These contract penalty clauses provide the division with a means of enforcing contractor compliance with specifications contained in custodial contracts. The penalty clauses include:

1. Calling the contractor back to perform the services again.
2. Charging the contractor to have the services performed correctly.
3. Termination of the contract and/or punitive action.

GSD uses the call back clause. The division has never used the charge back penalty clause but did use the cancellation clause once, in 1978.

The division has often called contractors back to perform services. Of the 144 work orders issued to contractors during the past year, 17 percent

were repeats. In addition, inspections conducted by GSD revealed ongoing concerns were evident with quality of services provided by one contractor in particular. We found examples of division officials calling the contractor back four and five times to perform a specific service in order to get them adequately completed.

We contacted the Department of Fish, Wildlife and Parks to determine how they enforce the grounds maintenance contracts. Department officials indicate they have used all three penalty clauses in enforcing contractor compliance, and believe use of these clauses has allowed them to obtain the level of service they desire with minimal instances of repeat problems.

The division is specifically delegated responsibility for enforcing contracts in section 2.5.303, ARM. Contract penalty clauses are a viable means of ensuring contractor compliance with contract specifications. To assure custodial quality the division should consider more serious penalty clauses for repeat work orders than just calling the contractor back. Lack of inspection documentation may be one of the reasons the division has not utilized more serious penalty clauses than call-backs.

Conclusion

We reviewed division methods for monitoring the provision and quality of custodial services supplied to the capitol complex. We found monitoring controls are not adequate. Specific concerns were noted with the custodial inspection methodology, frequency, and documentation. Improvements could be made in quality of services, division enforcement of cleaning specifications, and use of contract penalty clauses.

As a result of existing monitoring controls, custodial service quality has not met division standards or the expectations of building tenants. Effective cleaning practices not only preserve equipment and extend life of the structure, they also protect health, promote safety, and improve morale among employees and building tenants.

The division should take specific steps to improve quality of custodial services through increased monitoring of services and enforcement of cleaning specifications. Specific measures could include:

- regular inspections of all buildings on a monthly basis;

- increased inspections which include review of all cleaning requirements and not just annual requirements;
- formal documentation of inspection findings which include in-house and contracted services;
- requiring written contractor response to formal inspection findings; and,
- utilizing contract penalty clauses when appropriate.

RECOMMENDATION #4

WE RECOMMEND THE DIVISION TAKE SPECIFIC STEPS TO IMPROVE QUALITY OF CUSTODIAL SERVICES THROUGH INCREASED MONITORING OF SERVICES AND ENFORCEMENT OF CLEANING SPECIFICATIONS.

CHAPTER V

MAINTENANCE SERVICES

We reviewed the planning, implementation, and monitoring of maintenance and repair services provided and administered by the division. This chapter discusses our audit work and includes recommendations to improve the division's maintenance operations.

MAINTENANCE SERVICE BACKGROUND

GSD is responsible for maintenance of state-owned buildings in the capitol complex area. This is accomplished by using in-house staff and a variety of contractors and is funded through part of the rental rate charged to state agencies. The division also provides services for which agencies must pay an additional cost. Examples are: remodeling, extensive furniture moving, extra painting, and furniture repair.

GSD Maintenance Staff

To provide basic and additional services, GSD utilizes a maintenance staff of 13 FTE which includes a maintenance bureau chief, laborers, painters, carpenters, and electricians. Staff provide general maintenance and repair services to 36 buildings. The majority of workers are assigned a certain area/building and services include: minor electrical and lighting service and repairs; building maintenance, such as repair of windows and doors; and lock hardware maintenance. In addition to regular minor maintenance and repair projects, division staff also work on small remodeling projects.

Maintenance Contractors

The division uses maintenance contractors to aid in maintaining the capitol complex buildings. Four different types of maintenance services are procured through contractors: mechanical, elevator, refuse collection, and pest control. Our review indicated provision and monitoring of contracted maintenance services are adequate.

The following illustration shows fiscal year 1986-87 expenses incurred in the procurement of these services.

CONTRACTED MAINTENANCE EXPENSES

Fiscal Year 1986-87

<u>Type of Service</u>	<u>Expenses</u>
Mechanical	\$ 492,247
Elevator	46,632
Refuse Collection	21,116
Pest Control	<u>2,332</u>
Total	\$ 562,327

Source: Compiled by the Office of the Legislative Auditor from
GSD Records

Illustration 11

MAINTENANCE WORK SCHEDULING AND MONITORING

We reviewed division methods for staff work assignments and procedures to evaluate division effectiveness in the completion of maintenance requirements.

Work Development

The majority of maintenance work for the capitol complex is identified through one of three methods: agency or division requests, annual maintenance inspections, or agency requested remodeling projects.

GSD established a formal system to identify work requests from agencies and division management for maintenance and repair projects. These requests, known as work orders, are completed for most types of projects. The request is logged on a work order form which notes the date requested, nature of the request, where work is to be done, and person to contact. During fiscal year 1986-87, 4,656 maintenance work orders were issued.

The division conducts annual inspections of the entire capitol complex to identify maintenance and repairs needs. Division management physically inspect all buildings to identify deficiencies to be corrected. The information gathered is used to: (1) determine major maintenance projects for the Long Range Building Program; and (2) determine maintenance work to be done by in-house staff. The information pertaining to required in-house work is compiled into a report and the data is used to develop individual work orders.

The last annual inspection was conducted in May 1987, and resulted in 688 work orders.

The final method used to identify maintenance and repair work comes directly from agencies. Agency requested projects involve remodeling type work, such as constructing office space and building shelves. Agencies notify GSD when they are interested in having remodeling work done and generally request the division to provide them with an estimate of costs. Once the agency authorizes the project, the division conducts the necessary work as time allows.

Work Scheduling

The Maintenance Section receives work requests from a variety of sources. The requests result in an assortment of projects, all with differing levels of priority. Thus, effective planning and scheduling become an important function of management. The Association of Physical Plant Administrators of Universities and Colleges (APPA) states planning and scheduling of work are fundamental to the operation of an effective maintenance program and results in better resource management. APPA recommends use of formal scheduling which includes long term work plans covering a three to six month period.

The division is not formally planning and scheduling maintenance work. Rather, division officials rely on an informal "job jar" approach to schedule work. As staff run out of work to do, additional projects are assigned. Although division officials annually inspect facilities, they do not develop plans or schedules for completion of noted deficiencies.

Lack of formal work planning and scheduling by the division has contributed to work orders that have not been completed in over two months. For example, a work order was issued regarding a public hazard which needed to be repaired before someone was seriously injured. This particular work order was issued January 8, 1988 and as of February 5, a period of 28 days, had not yet been completed.

Division officials have not developed or implemented formal planning and scheduling methods. Management has relied on informal methods of planning and scheduling work assignments. Formal planning and scheduling of maintenance work would allow the division to set priorities for projects, ensure staff are used in the most efficient means, and equally distribute workload.

Documented long range plans would allow continuity of work should management changes occur. Formal schedules also provide staff with knowledge of long range work plans.

RECOMMENDATION #5

WE RECOMMEND THE DIVISION DEVELOP FORMAL WORK PLANS/PROCEDURES FOR SCHEDULING MAINTENANCE WORK.

Maintenance Work Monitoring

Timely completion of maintenance work does not always occur, and the methods and management information used by division officials to monitor work completion could be improved.

Division officials rely on a computerized work order system to maintain management information pertaining to jobs originating from work orders. Data from individual work orders is entered into this system and monthly reports are generated.

We found a number of improvements could be made to this management information. First, the division does limited analysis of timeliness of work order completion. Dates when work orders were completed are not obtained from the Maintenance Section and consequently are not contained in the management reports. Division officials are not able to formally monitor work completion. Secondly, the monthly report on incomplete work orders does not identify all incomplete work orders. Only work orders issued and remaining incomplete for the month the management report was generated are included. Thus, incomplete work orders from previous months are not identified by the report and division officials are not able to use management reports to adequately monitor which jobs are not completed.

Maintenance work generated from annual inspections done by division officials is treated separately from other division requested work. Identified work is placed on work orders and logged on the computerized work order system. Work completion dates are not obtained and the division does not formally monitor completion of these projects.

There is a lack of management information on remodeling projects. Records are not maintained concerning timeliness of remodeling project

completion. Consequently, data regarding length of time a project takes from agency request, to inception of work, to work completion is not available.

During our review of division records, we noted individual personnel time records lack the detail necessary to allow analysis of hours worked on various projects by individual staff members. Individual time records vary in amount of detail from employee to employee.

APPA guidelines state in order to provide effective and efficient maintenance services, management should use a maintenance system which provides steps for monitoring maintenance work and includes performance measures and controls. Association guidelines further note a work order system should allow management control of a task from the time it is first reported until it is complete and should include a record of detailed information regarding work completion. In addition, the system should be structured to produce management reports which track all aspects of the maintenance process. The system should produce basic reports which include a "jobs in progress" report which incorporates all work orders active in the system. APPA also recommends maintenance employees complete time records detailing projects worked on and time spent on each job to provide data on labor utilization.

The division is maintaining a work order backlog of 60 days. Work order backlog is an indicator of amount of known work undone at any given time. The APPA suggests the ideal backlog is 10 to 15 days with a maximum of 30 days. We also found 42 percent of the work orders issued from the annual maintenance inspection conducted in May 1987 were not completed after seven months. In addition, we contacted a sample of agencies which had received remodeling services in the past six months and found six of nine agencies (67 percent) expressed concerns with timeliness of services provided by GSD.

Lack of timeliness in work completion may be an indicator of insufficient staff; however, it could also result from staff not being used efficiently due to inadequate work monitoring. Lack of management information hinders management's ability to determine the true cause of the problem.

Conclusion

The primary mission of GSD is to provide services to the capitol complex. Although the division uses some procedures for monitoring maintenance

projects, many aspects could be better managed. Additional procedures to assist with monitoring include: gathering work order completion dates; including all incomplete work orders on management reports; maintaining records regarding length of time to complete remodeling projects; and requiring detailed personnel time records.

In response to our concerns, division officials indicate steps will be taken to ensure detailed information is gathered regarding maintenance work and management reports will be revised to allow thorough monitoring. In addition, staff will be required to provide more detailed recording of hours worked on various project work.

RECOMMENDATION #6

WE RECOMMEND THE DIVISION ESTABLISH MAINTENANCE MONITORING PROCEDURES WHICH ASSURE TIMELINESS OF WORK COMPLETION AND PROVISION OF EFFICIENT AND EFFECTIVE SERVICES.

REMODELING PROJECT COSTS

GSD provides remodeling services to agencies upon request. We compared project estimates for agency remodeling services with subsequent agency billing. Our purpose was to determine: accuracy of records; GSD cost recovery methodology; and adequacy of documentation. The review included 25 individual remodeling projects completed in the past year.

We noted GSD procedures for providing agency requested services could be improved. Concerns were: agencies are billed for services at estimated cost; division records of actual costs incurred are incomplete; the division does not analyze estimation methodology; and procedures do not exist to ensure accuracy of project estimates and agency billings.

Agency Billings

During our review of GSD files concerning agency requested projects, we noted agencies are billed at estimated costs. We also found the division does not maintain adequate records of actual project costs. Information concerning actual amount of labor/materials used was only available in 6 of the 25 (24

percent) project files reviewed. In addition, of the six projects which did have actual cost information, estimated versus actual hours charged for labor differed on three of the projects. The result was an underestimation or overestimation of labor costs totaling 32 hours of the 116 hours estimated for these three projects. In the instances where actual cost information was available, review of documentation showed the division billed the agencies at estimated not actual costs.

Project Records

Due to staff time records not providing the detail necessary to determine actual time spent on various remodeling projects, we were unable to determine actual labor costs. Building material cost records were also incomplete. Some project files did not contain records of actual materials usage and cost. It was difficult to determine if agencies were billed for all materials used.

Division officials noted agencies are billed for labor at estimated costs. They also indicated materials are generally billed at estimated costs although adjustments are sometimes made to reflect actual costs. This practice has been utilized by the division because current records do not adequately facilitate billing agencies for actual costs incurred.

Since the division does not gather data pertaining to actual costs of remodeling projects, analysis of project estimate development is not done. Discrepancies which were evident between estimated and actual costs indicate the division may need to improve its estimation methodology.

Remodeling Project Rates

During the review of remodeling project files, we found incorrect labor billing rates were used on 80 percent of the 25 project estimates and billings. Labor expenses are calculated by using a standard hourly wage rate times hours of labor involved. Inconsistencies were found with the hourly staff labor rates. Among the 25 different projects, five different rates were used in determining painting expenses, four rates for carpentry, three for electrical, and two for general labor.

The division established standard labor billing rates to be used each fiscal year to cover the division's expenses of providing remodeling services, but did not follow through to ensure these rates were used.

Utilization of incorrect labor billing rates resulted in miscalculation of remodeling project labor costs, division overhead costs, and ultimately total project costs. Although the miscalculations resulted in only minor overcharges to agencies, 80 percent of estimates and agency billings contained inaccurate labor rates.

Incorrect billing rates occurred because division staff responsible for conducting project estimates were not provided with updated hourly billing rates and division overhead charges. In addition, division staff responsible for billing the agencies did not verify the labor rates used by project estimators to ensure accuracy and consistency.

Summary

The division should implement procedures to more closely capture actual expenses incurred on remodeling projects. This would enable the division to ensure cost recovery and use actual expense data to analyze the methodology used to estimate remodeling costs. In addition, formal methods should be developed to ensure accuracy of rates used in developing remodeling estimates and agency billings.

In response to our concerns, division officials indicate agencies will continue to be billed at estimated rather than actual costs. However, detailed costs will be gathered for a sample of projects each year to test the estimation methodology. In addition, procedures will be implemented to ensure proper billing rates are used.

Division officials indicated staff will be required to record time spent on various projects in more detail. This would allow the division to obtain actual labor costs on remodeling projects. Officials have also indicated steps will be implemented to ensure more accurate recording of materials usage.

Given the division's steps towards gathering more detailed cost information and considering the small number of remodeling projects conducted each year, we believe it is feasible for the division to more closely capture actual cost information on all remodeling projects. We believe the additional cost to implement these changes is minimal.

RECOMMENDATION #7

WE RECOMMEND THE DIVISION:

- A. IMPLEMENT PROCEDURES NECESSARY TO MORE CLOSELY CAPTURE ACTUAL EXPENSES INCURRED ON REMODELING PROJECTS.
- B. USE ACTUAL EXPENSE DATA TO ANALYZE THE ESTIMATION METHODOLOGY USED TO PROJECT REMODELING COSTS.
- C. DEVELOP METHODS TO ENSURE ACCURACY OF RATES USED FOR REMODELING PROJECT ESTIMATES AND AGENCY BILLINGS.

INVENTORY CONTROLS

We reviewed existing inventory acquisition and control procedures for maintenance type inventory such as lumber, paint, and electrical supplies. We found inventory usage records and physical inventory controls could be improved.

Inventory Records

The division currently stores supplies used in maintaining the capitol complex in five locations. Supply usage is to be monitored through the use of supply check-out sheets which are posted in each storage area. Staff are to record supply usage on these sheets which indicate items taken, quantity, the building supplies were used in, and person using the item. We found check-out sheets in only one of the five storage locations. The division does not maintain detailed records of supply usage.

Physical Inventory Methodology

The division conducts annual physical inventory counts of supplies on hand. However, controls over these counts could be improved. Reconciliation and spot checking of inventory counts is not done to ensure data is correct. The division also does not retain records of the physical counts.

The Montana Operations Manual, section 2-1700, states adequate accounting procedures and records are essential for protection of state property. Adequate physical controls assist with proper management of inventory. Controls include: conducting physical counts to monitor inventory; inventory

reconciliation to ensure accuracy of physical counts; and maintaining records to assist with monitoring inventory purchases and usage.

Overall, lack of inventory records does not allow verification of inventory usage. Division expenditures the past two fiscal years for supplies and materials were \$63,244 in fiscal year 1986-87 and \$61,560 in fiscal year 1985-86. Inventory records would allow the division to conduct a more detailed analysis of supplies usage. In addition, inadequate record keeping affects the division's ability to accurately recover costs for supplies used on agency remodeling projects. Division officials acknowledge the importance of adequate inventory controls and indicate current procedures will be reviewed and corrected to ensure improved control.

RECOMMENDATION #8

WE RECOMMEND THE DIVISION IMPROVE INVENTORY PROCEDURES AND RECORDS OVER MATERIAL AND SUPPLIES.

CHAPTER VI
SECURITY SERVICES

General Services Division is responsible for the security of the capitol complex. Our performance audit assessed the adequacy and efficiency of these services. To accomplish our assessment, we accompanied security guards, reviewed documentation, and contacted security experts.

This chapter presents information pertaining to the security services provided by the division, discusses our audit work, and includes recommendations to improve the division's security services.

SECURITY SERVICES BACKGROUND

GSD utilizes in-house staff to provide security services to the capitol complex and selected off-complex buildings. To provide security services, GSD uses a bureau chief and 10 guards. Annual expenses are shown in the following illustration.

GSD SECURITY EXPENSES
Fiscal Years 1986-87 and 1987-88

<u>Expenditure Category</u>	<u>Actual FY 1986-87</u>	<u>Appropriated FY 1987-88</u>
Personnel Services	\$ 203,249	\$ 207,472
Other Expenses	<u>2,900</u>	<u>6,650</u>
Total Expenses	\$ 206,149	\$ 214,122

Source: Compiled by the Office of the Legislative Auditor from
GSD Records

Illustration 12

The main duty of the security guards is to provide security, fire watch and general protection to the buildings, occupants, and property located on the capitol complex area. Specific responsibilities include:

- patrolling both the interior and exterior of buildings;
- monitoring operating machinery;
- checking doors and windows;

- maintaining records of shift activities; and,
- monitoring alarm systems.

Security services are provided during the hours when the complex is mostly unoccupied. This includes coverage from 4:00 p.m. to 8:00 a.m. during the weekdays and round the clock coverage on weekends and holidays. Patrols consist of a one man foot patrol who monitors the capitol complex and a motor patrol which monitors the capitol complex and selected buildings located off the complex. In addition, one security guard is stationed at the Capitol to monitor the two way radio, telephones, and maintain shift records.

ANALYSIS OF SECURITY COSTS

We evaluated the cost/benefits of state furnished security services for the capitol complex and reviewed the feasibility of contracting the security services with a private sector security firm. The review was done to determine availability of private security services and to determine if potential benefits could be gained by contracting for these services.

Our study found private security services are readily available. The majority of costs involved with the provision of security services are personal services. Public works contractors are required to pay their employees the standard prevailing rate of wages (section 18-2-403, MCA). Given this requirement, the hourly costs of in-house and contracted services are comparable. Therefore, the cost differential in obtaining private sector security services is minimal. Analysis indicated an annual savings of \$2800 if the state were to use contracted security services. The analysis was based upon fiscal year 1986-87 division security expenses.

SECURITY PATROL ROUTES AND SCHEDULES

Improvements should be made to security patrol routes and schedules used by GSD security staff in order to enhance existing coverage. GSD's current security patrol route and schedule creates inherent weaknesses in overall security. Security guards are at the same locations at the same time each day and the route allows potential for individuals to determine exact locations of guards and therefore circumvent the intended purpose of the patrol.

Security watchman clocks are situated at various locations on the complex. These clocks are used for two purposes: (1) to ensure guards visit all required locations, and (2) provide a record of the time guards were at the locations. Guards use a key located at each watchman clock to record location and time on watchman clock log tapes they carry. Security guards on foot patrol duty are required to follow a designated route that is repetitious and allows minimal deviation. Review of watchman clock log tapes indicates 65 percent of the times recorded at watchman clock stations vary by less than 30 minutes over the three month time period reviewed. The limited variation in recorded times is the direct result of the repetitious patrol route.

The existence of some security problems on the capitol complex may be a result of the current patrol route. A review of penal violation reports for the past three years indicates a total of \$4,500 worth of state property has been reported as stolen from the capitol complex during the time guards were on duty.

We contacted police and private security officials concerning patrol routes. They stated it is standard procedure to vary police and security patrol routes daily. In addition, guidelines regarding physical plant administration issued by the APPA recommend patrol routes be continually varied in order to provide optimum security coverage.

We believe it is feasible for GSD to establish patrol routes that allow for variation while still ensuring regular examination of the buildings take place. In response to our concern, division officials acknowledge the need for varied patrol routes and indicated procedural changes were implemented May 2, 1988.

RECOMMENDATION #9

WE RECOMMEND THE DIVISION ESTABLISH VARYING SECURITY PATROL ROUTES AND SCHEDULES.

KEY CONTROLS

Our review of GSD security operations examined current controls over the assignment and management of keys. Our review revealed key controls could be improved.

GSD maintains all doors, locks, and hardware on the capitol complex and assists agencies in the distribution of keys. The division responds to agency requests for keys and disperses keys accordingly. In reviewing current key controls we found improvements could be made in three areas:

- (1) records of key assignments made at GSD;
- (2) records of key assignments at agencies; and
- (3) overall key control guidelines.

Division Controls

GSD maintains records of key assignments made within the division. Key assignments are made to GSD staff, to mechanical and custodial contractors, and to contractors' staff. A review of documentation concerning GSD staff and contractor key assignments indicate the records are not accurate. Records contain old key assignments with no indication of current status of keys; not all keys are signed for by the assignee as division policy dictates; and not all grandmaster key assignments are noted in the records. In addition, there is no indication of the status of keys upon contractor and employee termination and subsequent collection and reassignment of the keys. Many of the key assignments made to GSD staff and contractors are of grandmaster keys which allow unrestricted access to nearly all capitol complex buildings. In addition, keys are not individually numbered and therefore control of a specific key can not be maintained.

The Association of Physical Plant Administrators sets guidelines for proper key control. A viable key control system, at a minimum, calls for:

- (1) assignment of key issue authority and key recovery responsibility,
- (2) establishment of procedures for prompt key issue and recovery and,
- (3) maintenance of up to date functional records of key assignments and recovery.

Interviews with GSD staff indicate they are aware of the current status of key records. However, staff have not implemented and maintained a method of accurately recording assignments of keys to GSD employees and contractors.

We believe adequate key controls are a vital aspect of the security system. GSD needs to implement a method for accurately recording assign-

ments of keys to its staff and contractors. In addition, the division should individually number keys to aid in the process of monitoring key assignments.

Agency Controls

State agencies in the capitol complex are responsible for maintaining control over key assignments in their particular agencies. We contacted a judgmental sample of seven agencies and attempted to identify controls over the distribution and monitoring of keys in these particular agencies. The review indicated key controls are not adequate at the agency level. Concerns were evident at six of the seven agencies contacted. Major concerns noted were:

- (1) data on key assignments was not readily available in five agencies contacted. Agency staff had to be individually contacted to determine current key assignments;
- (2) some agencies did not maintain, or had outdated records of key assignments;
- (3) there were numerous instances of lost keys; and,
- (4) some terminated employees still have capitol complex keys.

Inadequate key controls have significantly reduced the security of the capitol complex. A review of security guard logs indicated 45 instances of doors unlocked or ajar over a period of 15 days. Intrusion alarms on the complex were activated fourteen times over a three month period.

There are several examples of persons no longer employed by the state having keys. In addition, keys are widely distributed to agency personnel. Available records indicate at least 228 Capitol building exterior door keys have been distributed to individuals. Another state agency recently rekeyed the entire building to limit access and then distributed 120 individual keys. Records pertaining to key distribution at other buildings on the complex are not available.

Inadequate agency records of keys stem from a number of sources including the lack of key control guidelines and procedures. In addition, agencies often do not assign key control duties to a specific individual, or if

they do, they have persons circumventing this individual. While visiting some agencies, we found general indifference in the area of key controls.

Given the responsibility and authority of the Department of Administration, we believe the department is the appropriate central authority to establish key guidelines and policies for all state agencies. GSD acknowledges the importance of key controls and is currently in the process of conducting a complete review of the existing key control system and will develop and implement written procedures for the division. GSD officials stated they will also begin developing key control guidelines to be furnished to all capitol complex state agencies.

RECOMMENDATION #10

WE RECOMMEND:

- A. THE DIVISION IMPLEMENT A METHOD FOR ACCURATELY RECORDING ASSIGNMENTS OF KEYS TO STAFF AND CONTRACTORS; AND
- B. THE DEPARTMENT OF ADMINISTRATION DEVELOP AND ISSUE POLICIES AND GUIDELINES TO ENSURE EFFECTIVE KEY CONTROLS EXIST IN CAPITOL COMPLEX AGENCIES.

DOOR AND LOCK MAINTENANCE SCHEDULES

During our review of capitol complex security we examined records which indicated a substantial number of exterior doors are found open or ajar each night. Security guards commonly find three or four doors open nightly. Discussions with division personnel indicate part of the problem is due to improperly functioning doors and locks. For example, exterior doors on one building have had a continuing problem of improper closure resulting in unsecured access through these doors. These doors were left unrepaired for approximately four months.

The division inspects doors on an irregular basis and they rely primarily on security patrols to locate problems with doors and notify maintenance staff of them. We noted guards have a minimal amount of time available while on patrol and are not able to perform detailed inspections. In addition to

irregular inspections, door maintenance problems are compounded by the lack of a formal door and lock maintenance schedule.

Information regarding scheduled and necessary repairs of doors and locks was not readily available. Maintenance staff had to conduct a physical inspection of the capitol complex to determine inadequacies. Lack of a scheduled maintenance system (as discussed in Chapter V) has contributed to the problems and deficiencies occurring with capitol complex doors.

Based on security records, our observations of doors and locks, and discussions with GSD personnel, it is apparent regular monitoring of exterior doors and locks is necessary. GSD should implement a maintenance schedule requiring maintenance staff to perform routine inspections and repairs of exterior doors and locks on the capitol complex.

In response to our concern, division staff indicated they have initiated a review of the door and lock maintenance needs and stated a bi-monthly maintenance schedule program would be developed and implemented by the division.

RECOMMENDATION #11

WE RECOMMEND THE DIVISION ESTABLISH AN EXTERIOR DOOR AND LOCK MAINTENANCE SCHEDULE.

AGENCY RESPONSE

DEPARTMENT OF ADMINISTRATION
DIRECTOR'S OFFICE



TED SCHWINDEN, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

(406) 444 2032

HELENA, MONTANA 59620

May 17, 1988

RECEIVED

MAY 18 1988

Lisa Blanford
Performance Staff Auditor
Office of the Legislative Auditor
State Capitol
Helena, MT 59620

MONTANA LEGISLATIVE
LEGISLATIVE

SUBJECT: General Services Division Audit

Dear Lisa:

In response to your May 10, 1988, letter, replies to your audit recommendations are attached. Please let me know if you need further information.

Sincerely,

A handwritten signature in cursive script that reads "Ellen Feaver".

ELLEN FEAVER
Director

Attachments

RECOMMENDATION #1

- A. WE RECOMMEND THE DEPARTMENT SEEK STATUTORY CLARIFICATION OF THE LAW DESIGNATING THE DEPARTMENT AS CUSTODIAN OF STATE PROPERTY.
- B. SEEK STATUTORY CLARIFICATION OF GEOGRAPHICAL LIMITS OF GENERAL SERVICES DIVISION'S JURISDICTION.

RESPONSE:

- A. We do not concur. We see no need for change in the law in this area and no benefit to be derived from such a change.
- B. We do not concur. Current laws sufficiently describe the jurisdiction of services offered by General Services Division. Agencies may accept our services if we can provide equal services for less money.

RECOMMENDATION #2

WE RECOMMEND THE DEPARTMENT OF ADMINISTRATION ELIMINATE THE TWO ADMINISTRATIVE OFFICER POSITIONS FROM FUTURE BUDGETS.

RESPONSE:

We do not concur. The Legislature specifically considered this budget issue last session. They determined the positions are appropriately placed and funded. Security functions are the responsibility of the Department, and these positions perform security functions for the Governor.

RECOMMENDATION #3

WE RECOMMEND THE DEPARTMENT PROCURE CONTRACTED CUSTODIAL SERVICES FOR THOSE BUILDINGS CURRENTLY CLEANED BY IN-HOUSE CUSTODIAL STAFF.

RESPONSE:

We do not concur. During the last legislative session, the Department's appropriation subcommittee considered contracted services and specifically directed us to keep the in-house custodial staff. We believe it is appropriate to comply with their decision.

RECOMMENDATION #4

WE RECOMMEND THE DIVISION TAKE SPECIFIC STEPS TO

IMPROVE THE QUALITY OF CUSTODIAL SERVICES THROUGH INCREASED MONITORING OF SERVICES AND ENFORCEMENT OF CLEANING SPECIFICATIONS.

RESPONSE:

We concur and have already increased the monitoring of all custodial services. A full-time night supervisor inspects the work of in-house and contracted custodial services.

RECOMMENDATION #5

WE RECOMMEND THE DIVISION DEVELOP FORMAL WORK PLANS/PROCEDURES FOR SCHEDULING MAINTENANCE.

RESPONSE:

We concur and will implement formal work plans to schedule maintenance work. The formal plan will be implemented by September 1, 1988. We have ordered an APPA manual to use as a guide as suggested in the audit report.

RECOMMENDATION #6

WE RECOMMEND THE DIVISION ESTABLISH MAINTENANCE MONITORING PROCEDURES WHICH ASSURE TIMELINESS OF WORK COMPLETION AND PROVISION OF EFFICIENT AND EFFECTIVE SERVICES.

RESPONSE:

We concur and will implement new monitoring procedures by September 1, 1988.

RECOMMENDATION #7

WE RECOMMEND THE DIVISION:

- A. IMPLEMENT PROCEDURES NECESSARY TO MORE CLOSELY CAPTURE ACTUAL EXPENSES INCURRED ON REMODELING PROJECTS.
- B. USE ACTUAL EXPENSE DATA TO ANALYZE THE ESTIMATION METHODOLOGY USED TO PROJECT REMODELING COST.
- C. DEVELOP METHODS TO ENSURE ACCURACY OF RATES USED FOR REMODELING PROJECT ESTIMATES AND AGENCY BILLINGS.

RESPONSE:

- A. We do not concur that a formal system of cost

accounting of projects would be feasible or justifiable for the amount of work accomplished each year.

- B. We do not concur. However, we do agree that a couple of projects each year should be monitored as closely as is practical to check our estimation methodology.
- C. We concur and have taken steps to ensure that labor rates used in estimates are current and accurate.

RECOMMENDATION #8

WE RECOMMEND THE DIVISION IMPROVE INVENTORY PROCEDURES AND RECORDS OVER MATERIALS AND SUPPLIES.

RESPONSE:

We concur. Inventory procedures and records will be improved and implemented for the next physical inventory in July 1988.

RECOMMENDATION #9

WE RECOMMEND THE DIVISION ESTABLISH VARYING SECURITY PATROL ROUTES AND SCHEDULES.

RESPONSE:

We concur. Procedures have been implemented to vary patrol routes and schedules.

RECOMMENDATION #10

WE RECOMMEND:

- A. THE DIVISION IMPLEMENT A METHOD FOR ACCURATELY RECORDING ASSIGNMENTS OF KEYS TO STAFF AND CONTRACTORS.
- B. THE DEPARTMENT OF ADMINISTRATION DEVELOP AND ISSUE POLICIES AND GUIDELINES TO ENSURE EFFECTIVE KEY CONTROLS EXIST IN CAPITOL COMPLEX AGENCIES.

RESPONSE:

- A. We concur. The Division has implemented a system to comply with this recommendation.
- B. We concur. The division has developed a contact person for each agency who will be responsible for key control. Written policies or guidelines

for complex agencies will be issued by September 1, 1988.

RECOMMENDATION #11

WE RECOMMEND THE DIVISION ESTABLISH AN EXTERIOR DOOR AND LOCK MAINTENANCE SCHEDULE.

RESPONSE:

We concur. A bimonthly maintenance schedule has been developed and implemented.

